

**House File 13 - Introduced**

HOUSE FILE 13  
BY PETTENGILL

**A BILL FOR**

1 An Act requiring all payments for prepaid cemetery and funeral  
2 merchandise, and funeral services to be placed in trust or  
3 secured by a surety bond.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 523A.201, subsections 2 and 3, Code 2011,  
2 are amended to read as follows:

3 2. If a seller agrees to furnish cemetery merchandise,  
4 funeral merchandise, funeral services, or a combination thereof  
5 and performance or delivery may be more than one hundred twenty  
6 days following the initial payment on the account, ~~a minimum~~  
7 ~~of eighty percent of~~ all payments made under the purchase  
8 agreement shall be placed and remain in trust until the person  
9 for whose benefit the funds were paid dies.

10 3. If a purchase agreement for cemetery merchandise,  
11 funeral merchandise, funeral services, or a combination  
12 thereof provides that payments are to be made in installments,  
13 the seller shall deposit ~~eighty percent of each payment~~ all  
14 payments made under the purchase agreement in the trust fund  
15 until the full amount required to be placed in trust has been  
16 deposited. If the purchase agreement is financed with or sold  
17 to a financial institution, the purchase agreement shall be  
18 considered paid in full and the trust requirements shall be  
19 satisfied within fifteen days after the seller receives funds  
20 from the financial institution.

21 Sec. 2. Section 523A.201, subsection 5, Code 2011, is  
22 amended by striking the subsection.

23 Sec. 3. Section 523A.405, subsection 8, Code 2011, is  
24 amended to read as follows:

25 8. The amount of the surety bond shall equal ~~eighty percent~~  
26 the amount of the payments received pursuant to purchase  
27 agreements, or the applicable portion thereof, for cemetery  
28 merchandise, funeral merchandise, funeral services, or a  
29 combination thereof, and the amount needed to adjust the amount  
30 of the surety bond for inflation as set by the commissioner  
31 based on the consumer price index. The seller shall review  
32 the amount of the surety bond no less than annually and shall  
33 increase the bond as necessary to reflect additional payments.  
34 The amount needed to adjust for inflation shall be added  
35 annually to the surety bond during the first quarter of the

1 seller's fiscal year.

2 Sec. 4. Section 523A.601, subsection 6, paragraph a, Code  
3 2011, is amended to read as follows:

4 a. A purchase agreement that is funded by a trust shall  
5 include a conspicuous statement in language substantially  
6 similar to the following language:

7 For your prearranged funeral agreement, we will deposit ~~not~~  
8 ~~less than eighty percent~~ all of your payments in trust at (name  
9 of financial institution), (street address), (city), (state)  
10 (zip code) within fifteen days following receipt of the funds.  
11 For your protection, you will be notified within sixty days  
12 from the date of deposit ~~from~~ by the financial institution,  
13 if acting as a trustee of trust funds under this chapter,  
14 to confirm that the deposit of these funds has been made  
15 establishing a trust fund as required by law. If you do not  
16 receive this notification, you may contact the Iowa insurance  
17 division for assistance by calling the insurance division at  
18 (telephone number) or by mail at (street address), (city), Iowa  
19 (zip code), or you may contact the financial institution by  
20 calling the financial institution at (telephone number) or by  
21 mail at the address indicated above.

22 EXPLANATION

23 This bill requires that all payments made pursuant to  
24 a purchase agreement for cemetery merchandise, funeral  
25 merchandise, funeral services, or a combination thereof, where  
26 performance or delivery under the agreement may be more than  
27 120 days following initial payment on the account, must be  
28 placed in trust or secured by a surety bond in that amount.  
29 Currently, only 80 percent of the amount of such payments is  
30 required to be placed in trust or secured by a surety bond.